

ADMIN. FILE



SEP 9 1980

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(a)(7) of the Internal Revenue Code.

The evidence presented discloses that you organized as an association in [redacted].

Your purpose, briefly stated, is to increase the buying power of your members by purchasing as a group and giving mutual support in your roles as homemakers.

Your only activity consists of a monthly bulk food purchase which is divided among the members for family consumption. The food comes from three or four local suppliers. You meet at a member's house and divide the food among your members.

Membership in your organization is open to any woman.

Section 501(c)(7) of the Internal Revenue Code provides exemption for:

"Clubs organized for pleasure, recreation and other profitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder."

Section 1.501(c)(7)-1(b) of the Income Tax Regulations states that:

"...Solicitation by advertisement or otherwise for public patronage of its facilities is prima facie evidence that the club is engaging in business..."

Revenue Ruling 73-349 held that an organization formed to purchase groceries for its membership at the lowest possible prices on a cooperative basis was not exempt from Federal income tax as a social welfare organization.

DATE	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER
[redacted]						
13-80	5/12/80	5/12/80				

[REDACTED]

On the basis of the information presented, we conclude that you are not organized and operated within the meaning of section 501(c)(7) because your social and recreation features are not a material purpose of the club. They are subordinate and incidental to the predominant purpose of operating in the business of a private cooperative enterprise for the mutual benefit or convenience of your members. Therefore, you are required to file federal income tax returns under section 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The Internal Revenue Manual 894 gives instructions for filing a protest.

If we do not hear from you within 30 days, this letter will be our determination of the matter.

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely yours,

[REDACTED]  
Acting District Director

Enclosure  
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